

CURRENT REPORT NO. 18/2020

Subject: inside information - preliminary information on the Issuer's financial results for Q2 2020.

The Management Board of FABRYKI MEBLI "FORTE" S.A. with its registered office in Ostrów Mazowiecka (hereinafter: the Issuer, the Company) publishes preliminary information on the financial results of the FABRYKI MEBLI "FORTE" S.A. Capital Group. (hereinafter: the Capital Group) achieved in Q2 and H1 2020.

According to preliminary calculations, the approximate value of consolidated sales revenue of the Capital Group in Q2 2020 amounted to PLN 154 million (including PLN 8 million of sales of surplus furniture board produced in the Group's own plant, i.e. TANNE Sp. z o o.) vs PLN 256 million in the comparative period of 2019 (including PLN 14 million from sales of board outside the Group), i.e. it was 40% lower.

The estimated value of the Group's consolidated EBIT for Q2 2020 was PLN (-) 2.5 million, compared to PLN 7.8 million in the corresponding period of 2019.

EBIT for the entire H1 2020 was PLN 24.3 million, compared to PLN 32.2 million in the corresponding period of 2019 (a decrease by 24.6%).

The estimated value of the Group's consolidated EBITDA for Q2 2020 was PLN 11.4 million, compared to PLN 22.3 million in Q2 2019 (a decrease by 48.8%). Consolidated EBITDA for H1 2020 amounted to PLN 52.3 million, compared to PLN 60.7 million in H1 2019 (a decrease by 13.8%).

The Management Board of the Company informs that the Q2 results for both 2019 and 2020, include significant one-off events which are not related to current operating activities but have a significant impact on the Issuer's results.

In Q2 2020, the following one-off events were included in EBIT:

- in other operating income, a subsidy from the Guaranteed Employee Benefits Fund to employees' salaries for April and May this year in the amount of PLN 9.7 million was included;
- in other operating expenses, an amount of PLN 3.9 million was recognized for an allowance for trade receivables of an Indian subsidiary. The Management Board decided to establish an allowance in connection with the Company's uncertain future situation caused by the effects of the Covid-19 coronavirus pandemic, which is much more serious in India than in Europe.

In the corresponding period of Q2 2019, a one-off negative impact on EBIT was recorded:

- in selling costs, an amount of PLN 3 million of an adjustment for environmental fees paid for 2018.

- in other operating expenses, an amount of PLN 5 million of a subsidy for the construction of a runway in Suwałki under the contract.

The adjusted estimated value of EBIT (excluding the impact of one-off transactions) for Q2 2020 amounted to PLN (-) 8.4 million, compared to PLN 15.8 million in Q2 2019.

The adjusted estimated value of EBITDA (excluding the impact of one-off transactions) for Q2 2020 was PLN 5.5 million, compared to PLN 30.4 million in Q2 2019.

The level of the Capital Group's net financial debt ratio at the end of Q2 2020 exceeded the level agreed with the institutions financing the Group, however, due to the situation caused by the pandemic, the Issuer's Management Board obtained approval from all financing banks to abandon the calculation of the debt / EBITDA ratio as at 30.06.2020.

In connection with the ongoing COVID-19 pandemic, the Management Board of the Capital Group informs that since July all plants and companies of the Group have been working full-time with full orders. At the same time, we would like to inform that until the date of publication of this report no case of COVID-19 infection was found in any of the Group's locations and no area was subject to mandatory quarantine.

The Management Board of the Company informs that the financial results provided above are estimates and may differ from the final data, which will be presented in the report for Q2 2020.

Legal basis: Article 17 (1) of Market Abuse Regulation (MAR)